

To: M. Drozd

From: D. Halverson

*DWH*

Date: 20 March 1990

Re: Brunswick - Georgia Pacific Taxes

As per your request, I have outlined Gwalia's tax obligations on the Georgia Pacific (Brunswick) lease. Major points pertaining to Gwalia's position on this property are:

1. Gwalia must pay all taxes levied upon the leased property before delinquency;
2. All occupational, franchise and license fees and taxes assessed on account of Gwalia's operations upon the leased property will be paid by Gwalia; and
3. Gwalia is responsible for any taxes against any improvements completed by Gwalia on the leased property.

It should be noted that taxes and fees paid by Gwalia do not reduce the base figure from which any conceivable production royalty payments will be calculated. Also, Georgia Pacific is responsible for taxes levied upon GP's income from this property.

Attached is a copy of section 16, Taxes, from the Brunswick - GP lease.

cc: G. Ball



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information relating directly or indirectly to the Leased Property provided by Amselco to any governmental agency or official, exclusive, however, of Amselco's income tax returns, which shall not be deemed prepared for publication or distribution about the results of activities conducted by Amselco on the Leased Property.

Amselco shall deliver a quarterly activity report to Brunswick, due at the end of the first quarter of the First Lease Year and due quarterly thereafter during the term of this Lease. Amselco shall also provide Brunswick each year during the term of this Lease, with an annual report describing the activities performed by Amselco on the Leased Property, including a description of the general results as they relate to the geologic district, and including supporting data. The above-described annual report shall be furnished on or before the anniversary of the date of this Lease commencing with the first such anniversary, and continuing for each year during the term of this Lease. Amselco shall make a good faith effort to provide accurate and complete data to Brunswick but shall not be bound to any representation as to the veracity of the interpretations so furnished or the conclusions drawn therefrom with respect to the factual information and data so furnished. All exploration data submitted to Brunswick during the term of this Lease shall be kept confidential by Brunswick, except that (i) data pertinent to that part of the Leased Property as to which this Lease is terminated need not be kept confidential by Brunswick; (ii) data may be disclosed on a confidential basis to Brunswick's authorized representatives and agents who have the need for access to such data; (iii) data may be disclosed as required by governmental regulations or laws; and (iv) data may be disclosed which has become public knowledge through no fault of Brunswick.

16. Taxes. Amselco shall pay promptly before delinquency all taxes levied upon the Leased Property and all occupational, franchise and license fees and taxes assessed on account of

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Amselco's operations upon the Leased Property. Amselco shall pay all taxes assessed against any improvements which Amselco may place on the Leased Property. Brunswick shall furnish to Amselco the official bills, demands or notices for payment of the fees, taxes and assessments assumed by Amselco in this Section 16 at least thirty (30) days before the same are due and payable, together with any official notices or statements relating thereto which may be received or obtained by Brunswick. Amselco may take such actions as it deems proper to obtain an adjustment, equalization or cancellation of, a reduction in or refund of taxes paid or payable by Amselco and in connection therewith may defer its payment of taxes provided for in this Section 16 to the extent permitted by law and may contest, in the courts or otherwise, in its own name or in the name of Brunswick, as appropriate, the validity or amount of any such taxes or assessments, if Amselco deems the same unlawful, unjust, unequal or excessive, before it shall be required to pay the same. Brunswick shall cooperate with Amselco in connection with the foregoing, but Amselco shall not permit or suffer the Leased Property or any part thereof or title thereto, to be lost to Brunswick as the result of nonpayment of such taxes or assessments. If any taxes now or hereafter levied on or measured by production of Subject Minerals (including severance, gross proceeds, sales or similar taxes), Brunswick shall be obligated to pay a variable pro rata share of the amount of such taxes equivalent to the percentages of Production Royalty paid to Brunswick pursuant to this Lease, but the amount of such tax obligation of Brunswick shall in no way serve to reduce the base from which Brunswick's Production Royalty is calculated. If Amselco so elects, it may pay such taxes levied on or measured by production and then deduct Brunswick's pro rata share of such taxes from any Advance Minimum Royalty or Production Royalty payments thereafter due Brunswick. Brunswick shall pay all taxes levied upon Brunswick's income from the royalty or other payments due or paid to Brunswick under the terms of this Lease.

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All taxes for the years in which this Lease becomes effective and terminates shall be prorated to such dates as between Brunswick and Amselco.

17. Liens. If Amselco creates liens against the Leased Property and fails to contest the same, or fails promptly to pay when due any uncontested taxes levied against the Leased Property and payable by Amselco, Brunswick shall have the right (but shall not be obligated) to pay such past due amounts and, if Brunswick does so, Brunswick shall be subrogated to all the rights of the holder thereof. Amselco shall reimburse Brunswick for all such payments and for all directly related costs and expenses paid or incurred by Brunswick (including, without limitation, directly related reasonable attorneys' fees) within three (3) months after the same are paid or incurred by Brunswick. Amselco shall have the right to pay any liens or charges incurred by Brunswick, or by those claiming by or under Brunswick, against the Leased Property, and any taxes and assessments on the Leased Property or Brunswick's property situated thereon not herein specifically required to be paid by Amselco, and to deduct all sums so paid from payments to be made by Amselco to Brunswick hereunder. Subject to Amselco's right to contest liens, as set forth above in this Section 17, Amselco shall keep the title to the Leased Property and all ores mined therefrom free and clear from any and all liens and other encumbrances arising in any manner whatsoever from Amselco's operations hereunder. The provisions of this Section 17 shall survive any termination or expiration of this Lease.

18. Commingling. Amselco shall have the right to commingle rock, ore, minerals or other products containing Subject Minerals produced by Amselco from any portion of the Leased Property with rock, ores, minerals or other products from other lands or properties at any state or stages of mining, treating, milling, upgrading or processing. Before commingling, Amselco shall measure and sample such rock, ore, minerals or other products in accordance with sound mining and metallurgical

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